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William F. Donnelly Deputy Director for Administration		DATE 7 May 1986

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William F. Donnelly

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FORM 1-79 610 USE PREVIOUS EDITIONS

IBM Adopts European Linkage Standard

By Richard L. Hudson
Staff Reporter of The Wall Street Journal

LONDON—In mid-1984, British officials began dropping hints to International Business Machines Corp. and other computer makers of a coming change in government computer-buying practices.

In the months ahead, they said, they would require some of their new computers to talk to one another using a special method called Open Systems Interconnection, or OSI. The change, aimed at simplifying communications among the government's computers, posed problems for IBM. Of the major computer makers, it was the slowest to plan products using OSI and had a reputation—undeserved, IBM says—of ignoring it.

IBM Didn't Dally

But with its substantial share of a $385 million government market threatened, and with other European customers considering similar policies, IBM didn't dally. In September 1984, its European headquarters announced plans to develop the necessary OSI products. It opened a small laboratory in West Germany to study OSI and began collaborating with competitors on OSI research. This winter it began shipping its new OSI products containing a complex computer program to translate much of its mainframes' signals into OSI code.

That IBM's European units, the dominant force in the local computer market, are increasing their OSI work adds weight to the OSI standard and should hasten its spread through Europe and subsequently to the U.S., where OSI work is moving more slowly. "IBM has legitimized OSI," says Colin Haley, director of external technical relations at the biggest British computer maker, the International Computers Ltd. unit of STC PLC. "You no longer hear anyone saying OSI is one of those cranky academic ideas."

OSI has been one of the thorniest political issues confronting IBM in Europe. European politicans, rankled by IBM's might, argued for years that the U.S. company intentionally stifled competition by holding almost exclusively to its own communications method, Systems Network Architecture, or SNA.

IBM Europe's current strategy is to offer both SNA and OSI. Competitors would still prefer to see IBM abandon SNA altogether, but its moves toward OSI have taken much of the political heat out of the issue in Europe.

IBM Europe officials deny any sudden turnabout in policy, saying they long supported OSI. They say they are increasing OSI work because more European customers are asking for the products and because the OSI standards themselves are improving.

> **IBM Europe's decision adds weight to the OSI standard and should hasten its spread through Europe and subsequently to the U.S.**

But Emmanuel de Robien, strategic director at France's Cie. des Machines Bull, says IBM "changed its mood in order to respond to the emerging market" in Europe. Gunther Willbald, head of the data-networks division of West Germany's AEG AG, says IBM had to come around to OSI "or they will be excluded" from much European business.

OSI began more than a decade ago in Britain as a way to sort out the technical chaos in computer communications and loosen IBM's grip on the market. Currently, the market is cluttered with different methods of tapping data bases, sending messages or spreading computations among many machines.

Competitors have regarded SNA as an unfair source of IBM's strength. More than 10,000 computer networks in Western Europe use SNA. Rivals wanting to sell computers to IBM's legion of customers must mimic SNA in their own machines. That's costly—and treacherous. While IBM publishes the frequent changes it makes in SNA, it takes time for competitors to incorporate them into their own products.

In essence, OSI is a code of technical standards, specifying such minutiae as the proper electrical signals for addressing a computer message or checking that a message arrives accurately. The code is being written by a United Nations body, the International Standards Organization.

More-Advanced Products

Though years from completion, enough is finished for manufacturers to use portions of it. The first of these quasi-OSI products began appearing in the late 1970s from most major computer makers, including IBM. In the past few months, more-advanced OSI products, using the latest standards set by the U.N. agency, have gone on the market.

At the moment this is mainly a European game, with the biggest push for OSI coming from European governments and the widest range of OSI products generally available only here. But standardization is gaining ground in the U.S. Specialized forms of OSI, developed by General Motors Corp. and Boeing Co., are being incorporated into factory robots and engineering computers. And the major computer makers have formed a trade group to promote OSI's development. IBM is involved in both efforts.

But some remain skeptical that OSI will put everybody on an equal footing. IBM has plenty of other ways to keep competitors at bay. Its rivals "have been sold this OSI issue as an antidote to IBM," says Hugh Small, a London-based consultant for Arthur D. Little International Inc. They may find it "a delusion," he says.

IBM says it will offer OSI products where sales justify the extra development costs. At the moment, that means Western Europe. Moreover, it says SNA is best for communications within IBM systems—from an IBM mainframe to its terminals, for example. OSI, it says, is best restricted to linking different systems of computers.

Creating Islands

Competitors say that approach will create islands of SNA-talking computer systems within a bigger OSI network. If an entire network used one communications method, OSI, data would flow faster and cheaper, argues David Korf, a marketing official in Digital Equipment Corp.'s networks and communications division.

Stressing that point to customers, Digital, Bull, ICL and other makers are pledging to incorporate OSI codes gradually in most of their computer network gear.

Werner Brodbeck, IBM Europe's director of technical relations, responds that mixed SNA-OSI networks aren't necessarily inefficient. In fact, he says, going all the way with OSI might mean customers lose some of the speed and sophistication of an all-SNA system.

Philippine Economic Gain Is Signaled; Book Pirates in Taiwan Are Thwarted

ASIAN REPORT

PHILIPPINE TOURISM'S REBIRTH, after five years of decline, is the first sign of economic regeneration since Corazon took control of the government in

...elopment: Tour- ...tropical

electronic products. The company plans an additional $100 million investment this year, says J.W. Lee, a Hyundai director. Cumulative losses totaled almost $9 million at the end of 1985, according to the company. Mr. Lee says an additional $20 million was written off by a California-based subsidiary.

Hyundai executives say semiconductors are important for two reasons: The devices should become a major export item for South Korea, and they will increasingly ... in other Hyundai products, espe- ... and ships.

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